



Congressman

John M. McHugh

U.S. HOUSE OF REPRESENTATIVES • WASHINGTON, D.C 20515 • 202-225-4611

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Contact: Dana Johnson
(o)202-225-4611/(h)202-544-2564

*House Committee on Government Reform
Subcommittee on the Postal Service*

STATEMENT OF CHAIRMAN JOHN M. McHUGH

Suffice it to say that this is a **well-refined** legislative proposal that has been vetted for practically four years now.

Throughout this multi-year process, we have attempted to ensure that the public and all postal stakeholders have had repeated opportunities to provide input on the legislation. Indeed, the current amendment I am offering incorporates the feedback from the most recent rounds of hearings that we held earlier this year.

I would be remiss if I did not take this opportunity to **clarify** yet again for the record that nothing in this bill, particularly the new rate-making system proposed and the establishment of a Postal Regulatory Commission (PRC) that will oversee the price indexing scheme, permits this PRC to overturn, dictate, reconsider, or in ANY way affect either the collective bargaining process or the substance of any collective bargaining agreements. This bill in NO way affects the collective bargaining provisions of law.

Indeed, the thrust of H.R. 22 is to give postal employees the tools to adapt, grow, compete, and survive in the face of enormous challenges caused by changing technology and a dynamic communications marketplace. The alternative, advocated by some but rejected by H.R. 22, is to restrict the Postal Service to traditional noncompetitive postal services and force the Postal Service to wither as demand for such services declines. I should note that one of the innovations of H.R. 22 is to allow the Postal Service to distribute profits as bonuses to all managers and employees, provided the Postal Service does so in a fair and equitable manner. In a good year, these bonuses could be quite substantial.

For those in the postal community who have come forward with a variety of technical and policy questions, let me be clear that we will continue to work to address any unresolved issues **prior** to the next step in the legislative process.

However, there are a few important points that should be made before we proceed, particularly in regard to concerns expressed on H.R. 22's provision for a private corporation and the idea that this somehow unleashes a government monster on the private sector.

Friends, it's time for a reality check.

The fact is that the Postal Service is today offering, among other nontraditional products, electronic commerce, remittance mail processing, and letter-shop services - while leveraging its government status and \$60 billion revenue. According to a recent General Accounting Office (GAO) report on this matter, of the Postal Service's nearly two dozen new products offered during the last three years, the Postal Service lost a total of \$85 million, showing a profit on only one of these many services. Who do you think paid for that? The Postal Service consumer.

The GAO report underscores that current law provides the Postal Service broad authority to offer any product that it deems appropriate. Now, when you have a statutory structure that is without constraint in any meaningful measure as to what activities a \$60 billion government monopoly can engage in, then no one - be it Commercial Mail Receiving Agents, lettershops, or banks, among others - should feel secure about their likely position vis-a-vis the Postal Service right now, as we speak.

(more)



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So what does H.R. 22 do? As that same GAO report concludes, H.R. 22 would restrict and curtail the Postal Service's ability to compete with the private sector in these areas. First, H.R. 22 would provide, for the first time, statutory definitions for the terms postal products and nonpostal products. Under H.R. 22, the Service would be prohibited from offering any nonpostal products or services, prohibited from investing in **almost** any commercial entity, prohibited from participating in joint ventures and strategic alliances, and prohibited from even offering a postal product simply because the PRC may find that it overlaps with some of the Service's regulatory responsibilities.

Now some might say, well that might be great for the Commercial Mail Receiving Agents, the lettershops, the banks, etc., but how does that achieve our objective of guaranteeing universal postal service at uniform rates to all Americans - something that NO ONE in the private sector can step in and do today?

H.R. 22's answer is that rather than adopt the view of some postal competitors and even a few of its customers that Congress should sign a death sentence for the Postal Service, its 850,000 employees, and its more than 26 million customers to just wither away, H.R. 22 provides the Postal Service the ability to innovate and carry on new activities, activities which are separable **from** traditional postal activities, in a structurally separate private Corporation. The amendment we have before us makes entirely clear that this Corporation is strictly a private corporation that obtains no advantages from its relationship with the Postal Service, and yet unlike a private corporation, will be subject to oversight and remedy of violations of a multitude of restrictions through PRC review, annually and on complaint. Under H.R. 22, if the Corporation is commercially successful, its enhanced value will improve the balance sheet of the Postal Service in meeting its universal service obligations. If the Corporation is unsuccessful, it will be allowed to fail like any other private company.

I suppose the best way to characterize the facts about this provision is to quote from the testimony of two folks who have taken the time to understand the bill, two individuals that some would suggest are strange bed-fellows:

- From the Postmaster General, Bill Henderson, who testified:
*"We can accept the concept of a corporation **to provide** additional separation for nonpostal activities. **This** could be a test vehicle for future reforms.... "*
- From the Chairman, President, and CEO of FDX Corporation, Fred Smith, who testified on the Corporation provision as follows:
*"I support this provision of H. R. 22 because it will place clear and reasonable restrictions on the Postal Service's ability to **use** public assets and monopoly revenues to gain a competitive edge in such markets."*

The Postmaster General and the head of Federal Express. Two people who have read the bill and understand the public policy challenges we face and how we have addressed them. I simply ask that others do the same.

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